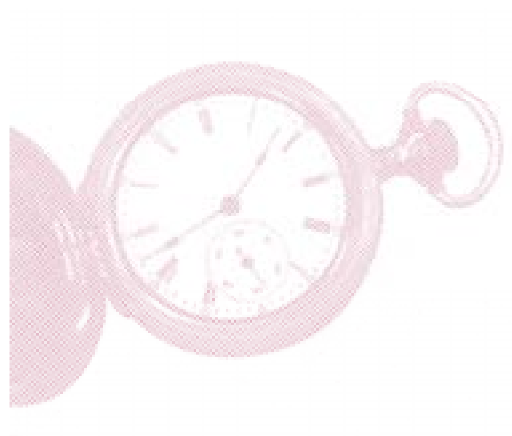
COUNTY

EMPLOYEES RETIREMENT SYSTEM



Nebraska
Public Employees
Retirement Systems

NEBRASKA COUNTY EMPLOYEES' RETIREMENT SYSTEM

Nebraska Statutes
Section 23-2301 through 23-2332

Your County Employees' Retirement Plan became effective January 1, 1966, following the passage of LB 642 by the Nebraska Legislature. It is designed as a Defined Contribution Plan to provide retirement benefits in recognition of your service to the county and is qualified by the IRS under 401(a) and 414(h). The contribution rate of the member and the employer is defined in the law. Your accumulated account is exempt from attachment (as in garnishment of wages,) and is unassignable (e.g. as loan collateral.)

This booklet provides an overview of the benefits available to members of the Nebraska County Employees' Retirement System and is not intended to be a substitute for retirement counseling. The provisions of the "County Employees' Retirement Act" in all cases supersede the information provided in this booklet.

If you have any questions, write to:

Nebraska County Employees' Retirement System
P.O. Box 94816
Lincoln, Nebraska 68509-4816

or call 402-471-2053, toll-free 1-800-245-5712, you may schedule an appointment to visit us at 1221 N Street, Suite 325, in downtown Lincoln.

You may visit our web site at: http://www.nol.org/home/pers.

Revised August 2000

Notes

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MEMBERSHIP

Mandatory Membership - If you are a permanent full-time county employee who has completed 12 months of continuous service with the county, you must enroll in the County Employees' Retirement System.

Elected Officials - If you are an elected official you must join the plan upon taking office. If you are appointed to fill a vacancy in an elective office, you are considered to be an elected official. As of September 13, 1997, part-time elected officials are not required to join but may do so under voluntary membership.

Voluntary Membership - You may elect voluntary membership if you are a full-time or part-time employee who works less than one half of the regularly scheduled work hours during each pay period, you have attained the age of 25 and have completed a <u>total</u> of 12 months of service within a five-year period. (This service need not be continuous.)

Service as a temporary county employee is not considered county service for the purposes of retirement eligibility.

Once you elect membership, you are subject to all provisions of the plan and cannot withdraw or cancel participation until you cease employment.

Vesting Credit - Participation in <u>another</u> Nebraska government plan may qualify as credit toward eligibility and vesting, (see page 3).

Exceptions - The following county employees participate in separate retirement plans and ARE NOT eligible to join the County Employees' Retirement System:

- County judges
- Persons eligible for membership in the Nebraska School Employees' or Nebraska State Employees' Retirement systems
- Employees or officials of any county having a population in excess of 150,000 and who have not previously elected coverage under the retirement plan
- Employees of a county hospital operating under the provisions of Section 23-343, R.R.S., 1943, whose county board elected noncoverage prior to December 31, 1977, or elected noncoverage upon becoming a participating county
- County Extension Agents and members of their staff who are eligible for participation in either a federal or University of Nebraska retirement plan.

ENROLLMENT

When you become eligible to participate in the retirement plan, your County Clerk will give you an Enrollment Form to complete. Your Enrollment Form must be returned to your County Clerk prior to your effective participation date. The contact person will forward the completed form to the Retirement Office.

Under "mandatory" membership, contributions will be withheld from your wages whether or not you complete the Enrollment Form. **<u>However, when you retire or cease employment, payment from your retirement account will be delayed until you file a completed Enrollment Form with the Retirement Office.</u>**

Transfers Between Counties

If you cease employment with a county covered by the County Employees' Retirement System and begin work with another covered county within 120 days of ceasing, your membership with the Retirement System will not be interrupted.

Your former County Clerk must notify the Retirement Office of your transfer to the new county, AND notify the new county of your participation in the plan. (See information on "Reemployment," page 19, if you have had a break in county service.)

SERVICE

Service is defined to mean the actual total length of employment with the county and is not interrupted by; a) temporary or seasonal suspension of service that does not terminate your employment, b) leave of absence authorized by the county for no longer than twelve months, c) leave of absence due to disability or d) leave due to military service.

If you take a leave of absence, as mentioned above, you <u>cannot</u> continue contributions to retirement during the leave. However, the law now allows a member who is on a Military Leave to make-up his/her contributions, provided he/she returns to county employment within 90 days after his/her military leave ends. The make-up contribution schedule must be approved by the Retirement Office in advance due to the strict guidelines set forth by federal law. For more details contact the Retirement Office.

Vesting Credit

If, at the time you are hired by the county, you have participated in another Nebraska governmental plan, that participation may be counted toward the 12 months you are required to work before joining the plan AND may also count toward the five years required to vest in the county plan. However, to qualify you must complete an "Eligibility and Vesting Credit Application" **within 30 days** from your date of hire by the county. Please see your County Clerk or call our office for the necessary form.

Beneficiary Designation

A beneficiary is the person(s), organization(s), your estate or a trust you wish to receive your benefits when you die. When you join the system, you will receive a Beneficiary Designation form, along with your Enrollment Form.

Keeping your beneficiary designation up to date will ensure that benefits are paid promptly and properly at your death. You should review your choice of beneficiaries frequently, but especially when:

a) you retire
b) you or one of your beneficiaries marries or becomes divorced
c) one of your beneficiaries dies, OR
d) you have a child.

You may obtain a Change Form from the Retirement Office or your County Clerk. When we receive your properly completed Change Form, it will cancel any previous beneficiary designation.

NOTE: If you wish any of your beneficiaries to "share equally," you must indicate this in writing or bracket their names on the form.

If a beneficiary has not been named or your beneficiary has predeceased you, **and a new form is not received in our office prior to your death**, benefits will be paid to your estate.

Contributions

As a member, you will contribute 4% of your earnings to a retirement account established for you.

The county matches your contributions at the rate of 150%. The County match is credited to a separate employer account.

Investment Of Contributions

Retirement laws permit you a choice of investment options. Your member contributions may be invested in any of the following:

1. Stable Fund
2. Money Market Fund
3. S&P 500 Stock Index
4. Small Company Stock Fund
5. International Stock Fund
6. Bond Market Index
7. Large Company Growth Stock Index
8. Large Company Value Stock Index
9. Conservative Pre-Mix Fund
10. Aggressive Pre-Mix Fund
11. Moderate Pre-Mix Fund

When completing your initial Enrollment Form please designate your investment choices. If an investment election is not made, or if the Enrollment Form is received late, **your** contributions will be invested in the Stable Fund.

Please refer to your County Retirement Investment Brochure or Annual Report for complete investment details. A separate Voice Response Unit (VRU) brochure is available with instructions on how to access your account using a touch-tone phone. A Pension Access Line brochure is also available, explaining the procedure to access your account on-line via our Web site.

Employer matching contributions made on your behalf, by law, must be invested in one or a combination of the following:

1. Employer Conservative Fund
2. Employer Moderate Fund
3. Employer Aggressive Fund

If an investment election is not made, or if the Enrollment Form is received late, employer matching funds will be invested in the Employer Moderate Fund.

Investment Election Changes

You may CHANGE the percent you have allocated to each account for new contributions at any time. (Note: This change will not affect the existing contributions in the various accounts.) Changes may be made in 5% increments.

You may access account information and make account changes via the web site or by calling the Voice Response Unit (VRU), toll-free at 1-800-449-2696 or 467-6925 in Lincoln. You will need to know your four digit PIN number and your social security number.

If you were in the plan prior to June 1997, a four digit PIN number was assigned to you on your June 1997 statement. If you don't know your PIN number, please assign yourself a new number by completing a Change Form. New members should assign themselves a PIN number on the Enrollment Form.

A PIN Change Form is printed on the back of your quarterly statement or you may obtain a form from your County Clerk or by contacting our office. Check with your County Clerk to obtain your county plan number or check your last quarterly statement.

Transfers

Existing contributions may be TRANSFERRED (moved) from one member investment fund to another. A direct transfer between the Stable fund and a "Competing Fund," specifically the Money Market Fund and the Conservative Pre-mix Fund is not allowed. Transfers between such "Competing Funds" via another separate account are restricted for three months.

NOTE: There is no fee assessed to make changes or transfers to your investment funds.

Plan Recordkeeping/ Fund Management Fees

The three separate cost elements in your retirement plan are: recordkeeping fees, Retirement Office administrative expenses and investment management fees.

Recordkeeping Fee

The recordkeeping services provided currently by Ameritas Life Insurance Company consist of the annual charge subtracted directly from your account. This fee is assessed on a monthly basis.

Administrative Fee

The cost of the Retirement Office operations is assessed against the forfeitures that occur in the County Employees' Retirement Fund, and only if these were insufficient would any money be taken from plan assets. Forfeitures occur when a nonvested plan member ceases employment with the county, which causes the employer account to be forfeited. These amounts are then used to pay the county plan's pro-rata share of monthly office expenses. At the end of the year, any excess forfeitures in the county plan are used as a credit for the next year's employer contributions. In virtually all years, the cost of office operations is borne by the forfeited funds; each plan member DOES NOT personally pay for our office operations.

Fund Management Fees

The investment management expenses include the operation cost of the Nebraska Investment Council, the cost of our custodial bank fees to handle the plan level accounting expenses, and the management fee charged by each fund manager. These fees are not reflected in the adjustment column of your quarterly statement. The fees are subtracted from the earnings of each individual fund.

Low Fees Associated With Your Plan

The investment fees on your funds are extremely low. The fees range from less than 20 basis points (1/5 of 1%) on the Money Market Fund to 1.2% in the more actively managed choices like the Small Company Stock Fund. Investment management fees could be very costly outside of the plan in comparable mutual funds.

STATEMENT OF ACCOUNT

You will receive an individual retirement statement showing the total contributions and earnings on your account, on a quarterly basis. Statements are printed at the close of business on the last working day of the quarter.

You may request a review of your retirement account at any time by contacting the Retirement Office, accessing the Voice Response Unit at 800-449-2696 or in Lincoln 467-6925, or on the Ameritas Pension Access Line via our web site at http://www.nol.org/home/pers.

TERMINATION OF EMPLOYMENT

(Ceasing work before age 55)

If you quit working for the county before age 55, you are considered to have "terminated" employment.

To qualify for the county matching funds when ceasing employment before age 55, you must be "vested." To become vested before age 55, you must have five years of "plan participation" - this means you must have contributed to the county retirement plan for five years. You may be able to shorten this five years by amounts of time you have been granted as "eligibility and vesting credit" (see Vesting Credit, page 3.) If you are not vested at the time you cease employment with the county, you are NOT eligible for the county matching contributions. If you are 100% vested at termination (before age 55,) you are entitled to the full account. Both non-vested and vested members have the same options upon ceasing employment. Please refer to the explanations given in the "OPTIONS" section.

Your County Clerk is required to notify the Retirement Office within two weeks of the date you cease employment with the county, via a Non-

Contributing Member Form. Upon receipt of the form, the Retirement Office will send a disbursement packet to you which includes a Request for Disbursement Form and a Special Tax Notice.

If you wish to withdraw your funds, you can expect payment approximately 30-45 days from the date of final pay by the county, provided all contributions have ceased and all transactions affecting your account have been completed. If you receive pay for unused leave, contributions must be made to your account on this amount. This may delay your disbursement if your leave pay is delayed by your county.

CAUTION: If you are considering taking a lump sum of your account before age 59 1/2, please read the section "TAXATION" (page 20) before you make your decision.

Warning: If you return to work for a county within the plan before 120 days have elapsed, you are not entitled to receive any funds, and you will have to repay all funds you might have already received.

RETIREMENT

(Ceasing work on or after age 55)

You are eligible for retirement benefits if you cease working for the county on or after the age of 55. At age 55 you are "vested," which means you are eligible for the county matching account, regardless of how long you have been a member of the plan.

Your County Clerk is required to notify the Retirement Office, within two weeks of the date you cease employment with the county, via a Non-Contributing Member Form. Upon receipt of the form, the Retirement Office will send a disbursement packet to you which includes a Request for Disbursement Form and a Special Tax Notice.

If you wish to withdraw your funds, you can expect payment approximately 30-45 days from the date of final pay, provided all contributions have ceased and all transactions affecting your account have been completed.

Termination/Retirement Checklist

1. Contact the Retirement Office at least 60 days prior to your termination/retirement date to obtain an estimate of benefits under the various annuity options AND provide the following:

   - ♦ Name and Home Address
   - ♦ Social Security Number
   - ♦ Anticipated Termination/Retirement Date

   (We also need the date of birth of your spouse if you wish to receive an estimate under the Joint & Survivor option.)

2. Your age must be verified before a monthly annuity benefit can be paid. A legible copy of your birth certificate or delayed certificate of birth will be considered sufficient proof of age.

3. Review your beneficiary listing if you plan to defer your account or if you select the Systematic Withdrawal Option.

4. The effective date of your termination/retirement annuity will be the first day of the month following your last day of work, provided your application for benefits is received by the Retirement Office in the month you quit. **For example:** If your last day of work is January 2nd, your effective date of retirement is February 1st. If your last day of work is December 31st, your effective date of retirement is January 1st.

   Should you elect to defer payment to a later date, the deferred amount will be retained in the active fund until you elect to have your payments begin. (See "Deferred Account" page 16)

5. Annuity payments will begin approximately 60 days after your final pay, provided all contributions have ceased and all transactions affecting your account have been completed. The first payment will be retroactive to your effective date of retirement (see #4 above).

6. At termination/retirement, you may request direct deposit of monthly retirement benefits to your financial institution. Bank authorization forms may be obtained from the Retirement Office, or the annuity provider if you are already receiving benefit payments.

Options At Termination/Retirement

You have the following options at Termination/Retirement:

- ♦ A lump sum payment paid either directly to you or rolled over to another tax deferred qualified plan or IRA.

- ♦ A systematic withdrawal provides payment to you at the frequency and dollar amount you determine. The payment may be made on a monthly, quarterly, semiannually or annual basis and must be a minimum withdrawal of $100.00 (withdrawals will be pro-rata if your investments consist of Member Account, Employer Account, Pre '85 contributions or more than one fund).

- ♦ A monthly annuity benefit (proof of age is required).

- ♦ Defer payment until a later date (no later than age 70 1/2).

- ♦ Combination of any of the above.

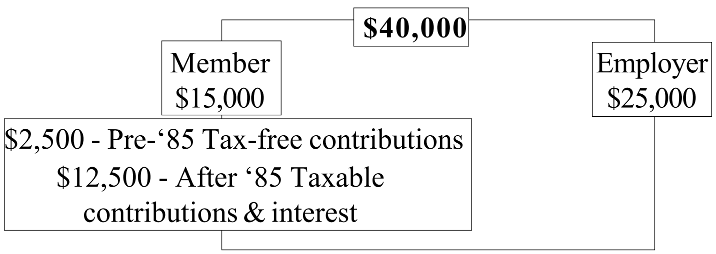
See examples on the following pages.

Lump Sum Withdrawals

Withdraw any percentage or amount (up to 100%) from your joint account in a lump sum.

Examples: **Refund Paid Directly To Member**

Joint Account



<u>20% Withholding</u> from Taxable amount ($37,500) =
<u>$7,500</u> Withheld for federal income tax.

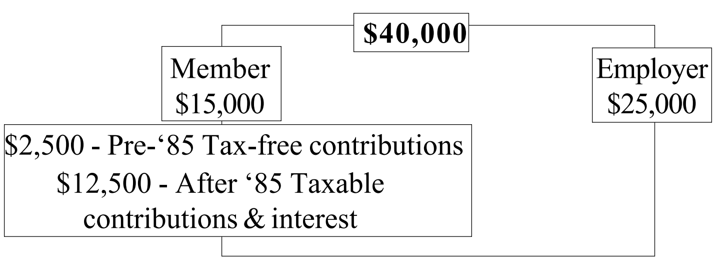
Member receives a check for <u>$32,500</u>.

There is the possibility of additional federal and/or state income tax due.

There is also the possibility of a 10% penalty if you ceased work before age 55 and you are younger than 59 1/2 when you request your payment.

Transfer the Taxable Portion

Joint Account



$2,500 Paid to you
No tax due

$37,500 Transferred to your qualified plan.
No current tax due

CAUTION: If you ceased work before age 55 and are considering taking a lump sum of your member account, please read the section in this book on “Taxation,” on page 20, before you make your decision.

Systematic Withdrawal

Approved by the Governor in April 1999, the Nebraska Public Employees Retirement Systems Rule 24 allows county plan members a Systematic Withdrawal Option (SWO) at termination (under age 55) or retirement (age 55+).

While receiving a SWO payment, you will continue to have the investment choices you had while employed and may make investment changes to your remaining account balance at your discretion. You will continue to pay the same fees paid by a regular account participant.

Characteristics of the Systematic Withdrawal Option

- Minimum withdrawal - $100.00
- Monthly, quarterly, semiannual or annual distributions
- May make changes in amount twice per year once payment begins
- Withdrawal amount subject to 20% tax withholding if paid to member directly and not “rolled” over into an IRA or qualified plan
- Possible 10% federal penalty if an early withdrawal is paid to member directly and not “rolled” over into an IRA or qualified plan
- Remaining account continues to earn based on investment fund allocation
- Member has investment direction on remaining account balance
- No lifetime payment guarantee

If you have questions about the SWO at termination or retirement, please contact the Retirement Office at 1-800-245-5712 or 471-2053.

NOTE: Since the Systematic Withdrawal Option is a series of “lump sum” payments, tax liabilities and/or a federal penalty for early withdrawal will apply.

Annuity

What happens to your money if you choose a monthly annuity benefit?

- Investment accounts closed
- Funds paid to annuity provider
- Annuity provider pays monthly benefit to member
- Benefit amount never changes

About the Annuity Provider

- Annuity paid by insurance company
- Guaranteed by the insurance company
- Annuity contracts bid each year
- Once you begin the annuity, your payment will be paid by the company holding the contract the year you retired.

Monthly Annuity Benefits

If you elect a monthly annuity benefit, the amount of your benefit is determined by **your** contributions and earnings if you **are not vested** or the **total** amount, including county portion, in your retirement account if you **are vested** (minus any amount you may wish to withdraw in a lump sum), your age on the date your benefits are to begin and the annuity option you select.

Annuity Options

The following options are available to you at termination/retirement.

Since age is an important factor, a benefit paid at age 55 will be less than a benefit at age 65 (if the account balances are equal). All but one of the following annuity options pay you a benefit for your lifetime. Therefore, if you start your benefit sooner, the monthly amount will be less because your life expectancy is longer.

Life Only Annuity - Income, payable monthly for your lifetime only. There is no death benefit.

Ten-Years Certain and Continuous Annuity - Income, payable monthly for your lifetime with a guarantee of payments to your beneficiaries for up to ten years. If you die before receiving 120 payments (10 years), the balance of payments would be paid to your beneficiaries or estate until 120 payments have been made.

Fifteen-Year Certain and Continuous Annuity - Income, payable monthly for your lifetime with a guarantee of payments to your beneficiaries for up to 15 years. If you die before receiving 180 payments (15 years), the balance of payments would be paid to your beneficiaries or estate until 180 payments have been made.

Twenty-Year Certain and Continuous Annuity - Income, payable monthly, for as long as you live. If you die before 240 monthly payments have been received, income will continue to your beneficiary until the balance of 240 payments have been made.

Full Cash Refund Annuity Option - Income, payable monthly, for as long as you live. If you die before the total monthly payments made equal the value of the total joint retirement account at retirement, the balance will be paid in a lump sum to your beneficiary.

Payments for a Designated Period Annuity - Income, payable monthly, for a period of time that you designate. The period of time designated must be at least five years and no more than 20 years duration. Payments cease at the end of the designated period. If you die prior to receiving all payments due, payment will continue to your designated beneficiary until all payments in the designated period have been made.

Joint Annuitant Option - Provides a monthly benefit for your lifetime. When you die, your surviving spouse will receive the same monthly benefit for his or her lifetime. **(You may list only your spouse as joint annuitant and should he or she predecease you, you may not select another joint annuitant.)**

NOTE: You may list as many beneficiaries as you wish under all options except for the Life Only Annuity (none) and the Joint and Survivor Annuity (spouse only). If you choose the Joint and Survivor Annuity, proof of age for your spouse is required.

You CANNOT change your option after your annuity payments begin.

Payments will be made directly to you, unless you have elected direct deposit or are transferring the account to another tax-deferred plan.

The Internal Revenue Service requires the annuity provider to file a report of amounts paid during a calendar year. Members receiving any of the options listed above will be issued an IRS Form 1099R at the end of each tax year. This form indicates the amount which is taxable and the amount of member contributions before January 1, 1985 (nontaxable). The taxable portion is divided into capital gains (if any) and ordinary income.

Proof of age is required when the member elects to receive a monthly annuity.

NOTE: The monthly annuity benefits you receive are not reduced by the Social Security benefits you receive at retirement, nor are your Social Security benefits reduced by the amount of your monthly annuity benefits.

Examples of Benefits - Monthly annuity benefits are computed using unisex tables on contributions made after January 1, 1984, and using male tables for contributions made before January 1, 1984.

You may request benefit estimates by contacting our office. Here are some samples:

Age 65:

Retirement Account Balance	Life Only	10 Years Certain	15 Years Certain	20 Years Certain	Full Cash Refund
$10,000	$78	$74	$69	$65	$71
20,000	155	147	139	129	142
40,000	310	294	277	259	285
80,000	620	588	555	517	569

Age 60:

Retirement Account Balance	Life Only	10 Years Certain	15 Years Certain	20 Years Certain	Full Cash Refund
$10,000	$69	$67	$65	$62	$65
20,000	138	134	130	124	131
40,000	276	269	260	249	261
80,000	553	538	520	497	523

Age 55:

Retirement Account Balance	Life Only	10 Years Certain	15 Years Certain	20 Years Certain	Full Cash Refund
$10,000	$63	$62	$61	$59	$61
20,000	127	125	122	119	122
40,000	253	249	244	238	244
80,000	507	498	489	476	488

Deferred Account

A Deferred Account is a benefit which is deferred until a later date. However, you are required to begin payments by the sixtieth day after the end of the year you reach age 70 1/2, provided you have not returned to work with the county.

The deferred amount will be retained in the active fund and will continue to be credited with investment earnings until you elect to have your payments begin. Investment choices can still be made at any time during deferment. If you elect a monthly annuity, it will be purchased using the rates in effect at the time your annuity begins.

If you elect to defer your TOTAL joint account (member and county contributions, plus earnings) you may change your mind at any time prior to the issuance of your first benefit check and withdraw any portion of your account. **It is important that you keep your address current with our office.**

Spousal Pension Rights Act

In 1996 the Legislature clarified in the law the rights of divorced spouses and children to a share of a plan member's retirement account. To claim this share, proper language must be included in the divorce decree and "qualified" by the Retirement Office. For further details refer to Nebraska Revised Statutes Section 42-1101 through 42-1113, or call the Retirement Office.

Death Benefits

Death Before Retirement (under age 55)

If you die before you retire, your designated beneficiary has the choice of receiving a lump sum settlement of the total joint retirement account, or taking a monthly annuity under any of the annuity options available. If you have more than one beneficiary and they are to "share equally," they each have a choice of settlements.

Exception: Your surviving spouse, if named as your primary beneficiary, **cannot** select the Joint and Survivor Annuity option. If your spouse is your primary beneficiary, your spouse may "roll" a lump sum distribution into an IRA.

Your beneficiary must advise the Retirement Office in writing of his/her selection **within 60 days** of your death. If an election is not received within 60 days, a lump sum payment will be made to your beneficiaries.

If your death occurs while you are employed, your County Clerk should notify the Retirement Office. We will then contact the beneficiary(ies) you have designated.

Death After Retirement (age 55 or older)

If your death occurs after retirement, any benefits available will depend on the annuity option you selected at retirement.

When you die, your beneficiaries should immediately notify the annuity company you are receiving your benefit from. If they do not receive notification and your beneficiaries receive an overpayment, they will require repayment.

If at retirement you elected a total lump sum payment of your account instead of an annuity, no death benefits are available to beneficiaries.

Disability Benefits

As a member of the County Employees' Retirement System, you may retire as a result of a disability, regardless of your age.

To Be Eligible:

- you must be under age 55,
- you must cease employment for reasons of physical or mental impairment, and
- you must apply for benefits with the Retirement Office within one year of the date you ceased employment

A medical examination will be required by the Retirement Board, at the expense of the system, to determine your disability eligibility. (Exceptions can be made under certain conditions - contact the Retirement Office for details.)

Benefits are calculated in the same manner as regular retirement benefits under the plan. Disability qualifies you for immediate vesting. Your monthly benefit amount will be determined using your actual age and total account balance.

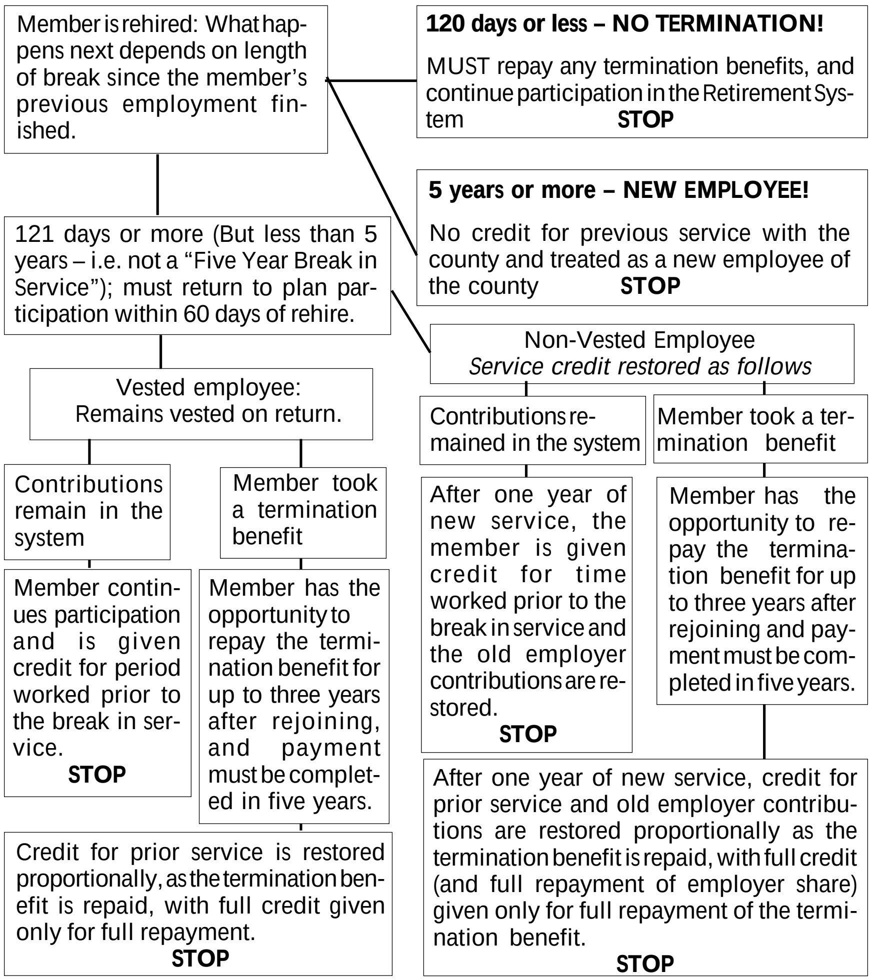
If you are found disabled, you may also elect the Lump Sum Withdrawal Option. You will not be subject to the 10% early withdrawal penalty by the IRS.

This is **NOT** a long-term disability insurance plan. If you receive disability insurance benefits in addition to your retirement benefits, the insurance company will more than likely reduce their payment to you by the amount you receive from us.

REEMPLOYMENT

The reemployment information below took effect September 13, 1997. If you were reemployed prior to September 13, 1997, please contact the Retirement Office for further information.

The following is a diagram showing the reemployment and plan participation of a returning county plan member under age 55:



NOTE: If you retire from the county (at least age 55), and you later return to employment with an agency, under the County Employees' Retirement System, you will return as a "new" employee. There will be no recognition of prior county service toward eligibility or vesting credit.

TAXATION

Your current contributions to retirement are not taxed at the time they are deducted from your salary. However, if you were a member prior to January 1, 1985, your contributions were taxed before being deducted from your salary.

When your contributions are returned to you, either in the form of an annuity or lump sum at retirement, or in a lump sum prior to retirement, you will be allowed the "tax free" return of any contributions made by you prior to January 1, 1985.

You should not take credit on your tax return for contributions you have made to retirement after January 1, 1985. Your tax-sheltered contributions will be reflected on the Form W-2 you receive while working for the county. If credit is taken, you may be subject to penalty under the Internal Revenue Service regulations.

Taxation Of An Annuity Benefit - You will be provided income tax information when you receive your first annuity payment.

Tax Withholding for monthly annuity payments beginning on or after November 1988 will be taxed under the Safe Harbor Method. A portion of each monthly payment will be excluded from taxation using a table based on your age and the amount of contributions made by you prior to January 1, 1985. On the average, 90% or more of the annuity is taxable each year.

An IRS Form 1099R will be sent to you at the end of each calendar year.

Taxation Of A Lump Sum - If you take a lump sum of your account, an IRS Form 1099R will be provided you at year-end.

If you ceased work prior to age 55 and take a lump sum refund PRIOR to age 59 1/2, the taxable portion of your payment may be subject to a ten percent federal tax penalty.

You can avoid the **ten percent tax penalty** if one of the following apply:

1. The taxable portion of your refund is "rolled over" or directly transferred into an Individual Retirement Account (IRA) or another qualified pension plan

2. Payment is made to an alternate payee under a Qualified Domestic Relations Order

3. Payment is used to pay large medical expenses, OR

4. You are qualified for retirement (age 55) at the time of separation

In the event of death or disability the ten percent tax penalty will not apply, regardless of your age.

IMPORTANT: Since the tax laws are frequently changed, detailed information is available on a separate handout.

For additional information on the current tax status of your retirement account proceeds, contact the Retirement Office.

Age 55

If you terminate at age 55 or later and take a lump sum, you will not have the ten percent federal tax penalty provided you ceased work at age 55 or later. However, unless you "rollover" the taxable portion of your lump sum into another qualified plan or IRA you will have to declare it as income during the calendar year that payment is made to you.

EVENTUALLY, you must pay income tax on the taxable portion of your retirement account. As stated earlier, the federal law allows the deferral of your retirement until the sixtieth day after the end of the year that you reach age 70 1/2. At that time you must begin to withdraw your retirement and declare the taxable portion as income.

Income Tax Withholding

Federal law requires us to withhold income tax from retirement annuity payments and lump sum payments. You will be provided information from either the Retirement Office or the annuity provider on income tax withholding.

For information on your own tax situation, please consult your attorney, tax professional or the Internal Revenue Service.

RELEASE OF INFORMATION

Member account information* will only be released under the following conditions:

- Personal visit to the Retirement Office
- Adequate proof of identity is provided over the phone
- Written requests
- Written release signed and dated by member (must be less than six months old)
- Court ordered release
- Request from guardian or conservator with proper certified authorization (must be less than three months old)
- Request from individual holding power of attorney with authorization to receive confidential information

Account information may be released to member's employer for verification of necessary information. Internal Revenue Service may receive account information to comply with federal tax laws. Account information may be released as necessary under a Qualified Domestic Relations Order.

*Member account information may include name, address, account balances, beneficiaries, benefit options or payments made to member.

Facsimile Policy

The following will be honored via facsimile (fax) if signed by the member:

- Requests for account information
- Requests for beneficiary listings
- Requests for annuity estimates
- Change in tax withholding
- Form requests

Original Retirement System forms are required to process benefits or payments or to change beneficiaries or change of address for payment requests. However, faxed requests for retirement payments are accepted to determine effective date of processing of payments if the original form is received within five working days. Faxed change of beneficiary forms and change of address forms are also accepted with timely receipt of the original form.

RETIREMENT PLANNING SEMINARS

The one-day seminars are an excellent way to begin planning for an important time in your life. Information is provided on your pension plan, financial planning, social security benefits, adjusting to retirement and estate planning.

For information on seminars scheduled in your area, contact the Retirement Office, Education Services.

Preretirement Program

Since January 1987 the Retirement Office has been conducting statewide Preretirement Planning seminars for plan members and spouses, age 50 and over.

Each eligible employee is entitled to receive leave with pay to attend up to two retirement planning programs. According to state law, "...leave with pay shall mean a day off paid by the employer and shall not mean vacation, sick, personal, or compensatory time." You may choose to attend a seminar more than twice, but such leave will be at your expense and will be at the discretion of the employer. **The law limiting attendance to twice is not retroactive and therefore will not include any attendances prior to September 9, 1995.**

Personal Planning Program

In September 1991, State law authorized the Retirement Office to conduct planning seminars for county plan members and spouses under age 50.
Each eligible employee will receive leave with pay to attend a personal planning seminar twice prior to age 50. Leave will be granted as stated above.

The seminars are held every year in various locations throughout the state. You may not, according to law, attend more than one seminar **per fiscal year (July 1 - June 30).**

APPEALS PROCESS

As a member of the County Employees' Retirement System, you have the right of review if you disagree with a decision reached by the Retirement Board. You must request appropriate appeal forms from the Retirement Office within 30 days after you receive notice of the Board's decision.

A formal hearing will be scheduled by the hearing officer appointed by the Board, with written notice to all parties concerned. If you wish to further appeal the decision of the Board, you are entitled to judicial review under sections 84-917 through 84-919 of the Nebraska Statutes, R.R.S. 1943.

The time limits prescribed may be extended at the discretion of the Retirement Board.

ADMINISTRATION OF THE RETIREMENT FUND

The Public Employees Retirement Board (PERB) consists of seven members appointed by the Governor for five-year terms.

Three members are participants in the retirement systems administered by the board. One member is a retired participant. Three members are at-large and are not employees of the State of Nebraska or any of its political subdivisions.

The PERB is responsible for the administration of the Patrol, Judges,' School Employees,' State Employees' and County Employees' Retirement Systems and the State of Nebraska Deferred Compensation Plan (Section 84-1501).

PERB meetings are normally scheduled on the third Monday of each month.

A **Director** is hired by the PERB to administer the various systems.

The **State Treasurer** is the custodian of the funds and securities of the Retirement Systems.

Nebraska Investment Council - Is responsible for the investment and management of the System's assets. The Council contracts with outside managers to invest the various funds.

Annuity Provider - Is an insurance company under contract with the PERB to provide monthly annuities to retirees. Generally, this contract is open for bid every calendar year. Once you retire, however, your annuity payment will be paid by the same company holding the contract the year you retired.

Record Keeper - Is a company under contract with PERB to provide recordkeeping services such as daily valuation of accounts and disbursement of account balances.